



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Republican Child Tax Credit Penalizes U.S. Service Members in Iraq and Afghanistan

Dear Democratic Colleague:

The child tax credit bill written and passed by House Republicans last Thursday, June 12, short-changes our service men and women, particularly those putting their lives on the line in Iraq. This is a problem of the Republicans' own making. The House Republican leadership insisted that the calculation of the allowable child tax credit be based on taxable income (that is, wages in excess of personal exemptions and deduction) rather than total earned income. This has adverse impacts on our military personnel who are in combat, because while they are in a combat theater, their pay is not treated as taxable income.

Take, for example, a serviceman or woman at grade E-6 who makes \$29,000 a year and supports a spouse and two children and who stays stateside. Their family would likely enjoy the full child tax credit, \$1,000 for each of their two children. If, however, that service member is deployed to Iraq for as much as eight months, he or she could lose the entire child tax credit, winding up worse off for having served in combat. That's because 2/3 of his or her income would not be taxable, and the remaining 1/3 would fall below the \$10,500 threshold at which the refundable portion of the child tax credit begins to be calculated. Members of our armed forces who earn less are even more likely to lose their child tax credits.

In effect, the House bill imposes a tax increase on our servicemen and women who support families and serve in combat theaters like Iraq. This was totally unnecessary. The Senate-passed bill avoided this problem. The House could have passed the Senate bill and sent it directly to the President for his signature, or at least adopted the Senate's language. Instead, the House Republican leadership chose to pass a dramatically different bill that could set up irreconcilable differences between the House and Senate, and prevent not just service members but all working families with incomes below \$26,000 from receiving their child tax credits. It is estimated that about 8 million children would receive no benefit at all (and another 4 million would receive only partial benefit) without congressional action, and that 260,000 children (one in five children of the military) in 200,000 active duty military families would be left out.

Many Republicans argue that this benefit to the children of our military, our school teachers, our police and our firefighters is not a tax cut but “welfare.” This demeans people on whom we rely every day for our safety and is a clear expression of the fundamental difference between the philosophies and values of the two political parties. Democrats can only hope that moderate Republicans will lean on their leadership and convince them to concur in the Senate child tax credit bill.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member